



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2018 AND 2017

TSXV: NGE
OTCQB: NVDEF

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

NEVADA EXPLORATION INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
AS AT

| | October 31, 2018 | April 30, 2018 |
|---|---------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,138,068 | \$ 197,094 |
| Accounts receivable (Note 3) | 22,406 | 20,869 |
| Prepaid expenses (Note 4) | 278,802 | 27,335 |
| Short term investments (Note 5) | 7,653 | 5,102 |
| Total current assets | 1,446,929 | 250,400 |
| Non-current assets | | |
| Equipment and intangible assets (Note 7) | 279,650 | 334,236 |
| Deposits and bonds (Note 9) | 64,068 | 130,780 |
| Total non-current assets | 343,718 | 465,016 |
| Total assets | \$ 1,790,647 | \$ 715,416 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Notes 6 and 10) | \$ 337,473 | \$ 78,710 |
| Current portion of finance lease obligations (Note 11) | - | 7,013 |
| Total liabilities | 337,473 | 85,723 |
| Equity | | |
| Capital stock (Note 12) | 24,995,191 | 22,895,123 |
| Reserves (Note 12) | 2,172,776 | 1,638,278 |
| Deficit | (25,714,793) | (23,903,708) |
| Total equity | 1,453,174 | 629,693 |
| Total liabilities and equity | \$ 1,790,647 | \$ 715,416 |

Nature of operations, continuance of operations and going concern (Note 1)

Commitments (Note 14)

Subsequent events (Note 17)

Approved and authorized on behalf of the Board on: December 17, 2018

“Wade Hodges” Director “Dennis Higgs” Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NEVADA EXPLORATION INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Three months ended October 31, 2018 | Three months ended October 31, 2017 | Six months ended October 31, 2018 | Six months ended October 31, 2017 |
|---|--|--|--|--|
| EXPENSES | | | | |
| Amortization (Note 7) | 30,907 | 28,900 | 62,066 | 58,692 |
| Equipment and vehicles | 11,757 | 27,882 | 19,666 | 46,698 |
| Exploration and evaluation expenditures (Note 8) | 862,695 | 451,412 | 1,011,215 | 639,646 |
| Filing fees | 31,707 | 16,081 | 35,721 | 22,973 |
| Foreign exchange | (2,564) | - | (329) | - |
| Insurance | 8,844 | - | 8,844 | - |
| Interest and bank charges | 825 | 1,056 | 879 | 2,081 |
| Investor relations | 83,110 | 101,705 | 126,659 | 136,735 |
| Office expenses and other | 18,110 | 28,786 | 42,678 | 58,534 |
| Professional fees and consultants (Note 6) | 19,946 | 52,173 | 46,180 | 86,598 |
| Rent | 35,789 | 21,668 | 57,740 | 41,667 |
| Salaries (Note 6) | 130,446 | 125,612 | 209,358 | 205,704 |
| Share-based payments (Note 6 and 12) | 257,927 | 55,128 | 353,783 | 186,826 |
| Travel | 17,286 | 11,984 | 25,492 | 23,162 |
| Total operating expenses | (1,506,785) | (922,387) | (1,999,952) | (1,509,316) |
| OTHER ITEMS | | | | |
| Net consulting income (loss) | (3,646) | - | 8,990 | - |
| Unrealized gain on short term investments (Note 5) | 850 | - | 2,551 | - |
| Total other items | (2,796) | - | 11,541 | - |
| Net loss for the period | (1,509,581) | (922,387) | (1,988,411) | (1,509,316) |
| OTHER COMPREHENSIVE LOSS | | | | |
| Item that may be reclassified to profit or loss: | | | | |
| Currency translation adjustment | 5,395 | 4,698 | 13,404 | (44,050) |
| Total comprehensive loss for the period | \$ (1,504,186) | \$ (917,689) | \$ (1,975,007) | \$ (1,553,366) |
| Basic and diluted loss per common share | \$ (0.02) | \$ (0.02) | \$ (0.03) | \$ (0.03) |
| Weighted average number of common shares outstanding | 62,885,693 | 51,801,900 | 62,593,049 | 49,691,269 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NEVADA EXPLORATION INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Capital Stock | | Reserves | | | | | Total Equity |
|---|---------------------|----------------------|----------------------|-----------------------|-------------------------|---------------------|------------------------|---------------------|
| | Shares (Note 12) | Amount (Note 12) | Options (Note 12) | Warrants (Note 12) | Currency Translation | Total Reserves | Deficit | |
| Balance, May 1, 2017 | 47,366,351 | \$ 19,813,380 | \$ 1,245,520 | \$ 953,949 | \$ (10,704) | \$ 2,188,765 | \$ (21,099,876) | \$ 902,269 |
| Private placement | 3,773,100 | 1,131,930 | - | - | - | - | - | 1,131,930 |
| Relative fair value of unit warrants issued | - | (78,563) | - | 78,563 | - | 78,563 | - | - |
| Finder's unit shares | 213,367 | 64,010 | - | - | - | - | - | 64,010 |
| Finder's unit warrants | - | (4,443) | - | 4,443 | - | 4,443 | - | - |
| Share issuance costs | - | (72,398) | - | - | - | - | - | (72,398) |
| Share-based payments | - | - | 186,826 | - | - | 186,826 | - | 186,826 |
| Warrants exercised | 1,150,000 | 136,235 | - | (21,235) | - | (21,235) | - | 115,000 |
| Currency translation adjustment | - | - | - | - | (44,050) | (44,050) | - | (44,050) |
| Net loss for the period | - | - | - | - | - | - | (1,509,316) | (1,509,316) |
| Balance, October 31, 2017 | 52,502,818 | \$ 20,990,151 | \$ 1,432,346 | \$ 1,015,720 | \$ (54,754) | \$ 2,393,312 | \$ (22,609,192) | \$ 774,271 |
| Balance, May 1, 2018 | 55,424,068 | \$ 22,895,123 | \$ 1,478,731 | \$ 219,189 | \$ (59,642) | \$ 1,638,278 | \$ (23,903,708) | \$ 629,693 |
| Private placement | 16,000,000 | 2,000,000 | - | - | - | - | - | 2,000,000 |
| Relative fair value of unit warrants issued | - | (424,040) | - | 424,040 | - | 424,040 | - | - |
| Finder's unit shares | 450,100 | 56,263 | - | - | - | - | - | 56,263 |
| Finder's unit warrants | - | (35,105) | - | 35,105 | - | 35,105 | - | - |
| Share issuance costs | - | (79,558) | - | - | - | - | - | (79,558) |
| Share-based payments | - | - | 353,783 | - | - | 353,783 | - | 353,783 |
| Warrants exercised | 4,680,000 | 556,917 | - | (88,917) | - | (88,917) | - | 468,000 |
| Options expired | - | - | (177,326) | - | - | (177,326) | 177,326 | - |
| Warrants expired | - | 25,591 | - | (25,591) | - | (25,591) | - | - |
| Currency translation adjustment | - | - | - | - | 13,404 | 13,404 | - | 13,404 |
| Net loss for the period | - | - | - | - | - | - | (1,988,411) | (1,988,411) |
| Balance, October 31, 2018 | 76,554,168 | \$ 24,995,191 | \$ 1,655,188 | \$ 563,826 | \$ (46,238) | \$ 2,172,776 | \$ (25,714,793) | \$ 1,453,174 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NEVADA EXPLORATION INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

| | Six months ended October 31, 2018 | Six months ended October 31, 2017 |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (1,988,411) | \$ (1,509,316) |
| Items not affecting cash: | | |
| Amortization | 62,066 | 58,692 |
| Share-based payments | 353,783 | 186,826 |
| Unrealized gain on short term investments | (2,551) | - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (1,537) | 32,858 |
| Prepaid expenses | (251,467) | 53,327 |
| Accounts payable and accrued liabilities | 258,763 | 2,674 |
| Net cash used in operating activities | <u>(1,569,354)</u> | <u>(1,174,939)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Deposits | 66,712 | |
| Acquisition of equipment and intangible assets | - | (31,332) |
| Recovery of cost | 260 | - |
| Net cash provided by (used in) investing activities | <u>66,972</u> | <u>(31,332)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from private placement | 2,000,000 | 1,131,930 |
| Share issuance costs | (23,296) | (8,388) |
| Proceeds from warrants exercised | 468,000 | 115,000 |
| Repayment of finance lease obligations | (7,217) | (6,200) |
| Net cash provided by financing activities | <u>2,437,487</u> | <u>1,232,342</u> |
| Effect of foreign exchange | <u>5,869</u> | <u>(12,593)</u> |
| Change in cash and cash equivalents for the period | 940,974 | 13,478 |
| Cash and equivalents, beginning of period | <u>197,094</u> | <u>288,627</u> |
| Cash and equivalents, end of period | <u>\$ 1,138,068</u> | <u>\$ 302,105</u> |
| Supplemental cash flow information (Note XX) | | |
| Interest paid in cash | \$ <u>164</u> | \$ <u>230</u> |
| Income taxes paid in cash | \$ <u>-</u> | \$ <u>-</u> |
| Issuance of shares for settlement of finders' fees | \$ <u>56,263</u> | \$ <u>64,010</u> |

The accompanying notes are an integral part of these condensed consolidated interim financial statements

NEVADA EXPLORATION INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

October 31, 2018

1. NATURE OF OPERATIONS, CONTINUANCE OF OPERATIONS AND GOING CONCERN

Nevada Exploration Inc. (the “Company” or “NGE”) was incorporated on April 6, 2006 under the Canada Business Corporations Act and is in the business of acquiring and exploring mineral properties.

The Company is listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol “NGE” and on the OTCQB marketplace under the trading symbol “NVDEF”. The Company’s head office is located at Suite 1500 - 885 West Georgia Street, Vancouver, BC V6C 3E8. The Company’s registered and records office is located at 25th Floor, 700 West Georgia St., Vancouver, BC V7Y 1B3.

These condensed consolidated interim financial statements are authorized for issue on behalf of the Board of Directors on December 17, 2018.

Continuance of operations and going concern

These condensed consolidated interim financial statements have been prepared on a going-concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically and recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. The Company has not produced revenues from its exploration activities and does not have a regular source of cash flow. The Company will periodically have to raise funds to continue operations and, although it has been successful thus far in doing so there is no assurance it will be able to do so in the future. The Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties cast significant doubt on the Company’s ability to continue as a going concern. During the period ended October 31, 2018, the Company received gross proceeds of \$468,000 from the exercise of warrants and gross proceeds of \$2,000,000 from the issuance of 16,000,000 common shares of the Company.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims and noncompliance with regulatory and environmental requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards (“IFRS”) for complete financial statements for year-end reporting purposes. These condensed consolidated interim financial statements should be read in conjunction with the Company’s financial statements for the year ended April 30, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual audited consolidated financial statements as at and for the year ended April 30, 2018 as filed on SEDAR at www.sedar.com.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

New Accounting Standards and Amendments to Existing Standards

New or revised standards and amendments to existing standards adopted during the period

- New standard IFRS 9, *Financial Instruments*, was issued in final form in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. This standard is effective for years beginning on or after January 1, 2018. The adoption of this amendment did not have a significant impact.
- New standard IFRS 15, *Revenue from contracts with customers*, provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more information and relevant information. This standard is effective for reporting periods on or after January 1, 2018. The adoption of this amendment did not have a significant impact.

New or revised standards and amendments to existing standards not yet effective

The Company has not applied the following new or revised standard and amendments that have been issued but are not yet effective:

- New standard IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019. The impact of this amendment is to be determined.

The Company plans to adopt these standards as soon as they become effective for the Company's reporting period.

3. **ACCOUNTS RECEIVABLE**

The accounts receivable for the Company are as follows:

| | October 31, 2018 | April 30, 2018 |
|-------------------|---------------------|-------------------|
| GST receivable | \$ 5,868 | \$ 19,511 |
| Other receivables | 16,538 | 1,358 |
| Total | \$ 22,406 | \$ 20,869 |

4. **PREPAID EXPENSES**

The prepaid expenses for the Company are as follows:

| | October 31, 2018 | April 30, 2018 |
|---|---------------------|-------------------|
| Security deposit for rental of premises | \$ 7,730 | \$ 12,426 |
| Prepaid services | 271,072 | 14,909 |
| | \$ 278,802 | \$ 27,335 |

NEVADA EXPLORATION INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

October 31, 2018

5. SHORT TERM INVESTMENTS

| | | | October 31, 2018 | April 30, 2018 |
|--------------------------------------|---------|-----------|---------------------|-------------------|
| | Number | Cost | Carrying Value | Carrying Value |
| Spruce Ridge Resources Ltd. - Shares | 170,068 | \$ 25,000 | \$ 7,653 | \$ 5,102 |

During the period ended October 31, 2018, the Company revalued the shares based on the market price at October 31, 2018, resulting in an unrealized gain of \$2,551 (2017 – loss of \$Nil).

6. RELATED PARTY TRANSACTIONS

During the period ended October 31, 2018, the Company:

- i) paid or accrued \$18,190 in professional fees to a corporation owned by the former Chief Financial Officer of the Company.
- ii) paid or accrued \$5,806 in professional fees to a corporation of which the Chief Financial Officer is an employee.
- iii) recorded share-based payments of \$77,480 related to the fair value of stock options vesting through the period to an officer and directors.

During the period ended October 31, 2017, the Company:

- i) accrued \$22,000 in professional fees to a corporation owned by the former Chief Financial Officer of the Company.
- ii) recorded share-based payments of \$33,809 related to the fair value of stock options vesting through the period.

The amounts included in accounts payable and accrued liabilities which are due to related parties are as follows:

| | October 31, 2018 | April 30, 2018 |
|--|---------------------|-------------------|
| Due to a corporation owned by the former Chief Financial Officer | \$ 26,800 | \$ 29,850 |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's President, Chief Executive Officer and Chief Operating Officer.

Remuneration of key management of the Company is as follows:

| | Six Months Ended October 31, 2018 | Six Months Ended October 31, 2017 |
|----------------------|--|--|
| Salaries | \$ 184,697 | \$ 183,384 |
| Share-based payments | 131,240 | 64,242 |
| | \$ 315,937 | \$ 247,626 |

NEVADA EXPLORATION INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

October 31, 2018

7. EQUIPMENT AND INTANGIBLE ASSETS

| | Vehicles | Exploration Equipment | Computer Equipment | Software Database | Total |
|---------------------------------|-----------|--------------------------|-----------------------|----------------------|------------|
| Cost | | | | | |
| Balance – April 30, 2017 | \$ 68,607 | \$ 541,435 | \$ 15,475 | \$ 111,118 | \$ 736,635 |
| Acquisition | - | 58,639 | - | - | 58,639 |
| Effect of translation | (4,119) | (32,751) | (929) | (6,671) | (44,470) |
| Balance – April 30, 2018 | \$ 64,488 | \$ 567,323 | \$ 14,546 | \$ 104,447 | \$ 750,804 |
| Recovery of cost | (260) | - | - | - | (260) |
| Effect of translation | 1,590 | 14,009 | 359 | 2,579 | 18,537 |
| Balance – October 31, 2018 | \$ 65,818 | \$ 581,332 | \$ 14,905 | \$ 107,026 | \$ 769,081 |
| Accumulated amortization | | | | | |
| Balance – April 30, 2017 | \$ 50,275 | \$ 237,251 | \$ 12,856 | \$ 18,521 | \$ 318,903 |
| Amortization | 11,446 | 69,096 | 1,127 | 34,690 | 116,359 |
| Effect of translation | (2,978) | (13,960) | (768) | (988) | (18,694) |
| Balance – April 30, 2018 | \$ 58,743 | \$ 292,387 | \$ 13,215 | \$ 52,223 | \$ 416,568 |
| Amortization | 5,578 | 38,222 | 575 | 17,691 | 62,066 |
| Effect of translation | 1,497 | 7,535 | 331 | 1,434 | 10,797 |
| Balance – October 31, 2018 | \$ 65,818 | \$ 338,144 | \$ 14,121 | \$ 71,348 | \$ 489,431 |
| Carrying amounts | | | | | |
| As at April 30, 2018 | \$ 5,745 | \$ 274,936 | \$ 1,331 | \$ 52,224 | \$ 334,236 |
| As at October 31, 2018 | \$ - | \$ 243,188 | \$ 784 | \$ 35,678 | \$ 279,650 |

8. RESOURCE PROPERTIES

| Resource properties expenditures for the period ended October 31, | 2018 | 2017 |
|--|--------------|------------|
| Grass Valley | \$ 92,541 | \$ 89,777 |
| South Grass Valley | 688,940 | 70,826 |
| Kelly Creek | 228,416 | 476,951 |
| Awakening | 1,318 | 2,092 |
| | \$ 1,011,215 | \$ 639,646 |

NEVADA EXPLORATION INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

October 31, 2018

8. RESOURCE PROPERTIES (cont'd...)**Grass Valley Project (GV)**

As at October 31, 2018, the Company's Grass Valley Project consists of unpatented mining claims held directly by the Company.

South Grass Valley (SGV)

As at October 31, 2018, the Company's South Grass Valley Project consists of unpatented mining claims held directly by the Company.

Kelly Creek (KC)

The Company has combined its former Hot Pot Project into its Kelly Creek Project, the combination of which is now together referred to as the Kelly Creek Project.

As of October 31, 2018, the Company's Kelly Creek Project consists of:

- unpatented mining claims held directly by the Company;
- unpatented mining claims leased by the Company from Genesis Gold Corporation through a Mining Lease and Option to Purchase Agreement (the "Genesis Agreement"); and
- private land leased by the Company under a Mining Lease Agreement (the "Hot Pot Lease").

The Company entered into the Genesis Agreement on October 1, 2009 and as amended on August 25, 2015, to acquire a 100% interest in the Genesis's Hot Pot claims. Under the Genesis Agreement, the Company is the Operator and has the option to purchase 100% of the Genesis claims for 100,000 common shares (issued) and USD\$1,500,000, subject to a 1.5% Net Smelter Return Royalty ("Royalty"), and the following advance royalty payments:

| | | | |
|---|----|------------|----------|
| 1 st anniversary (October 1, 2010) | \$ | 5,000 USD | (paid) |
| 2 nd anniversary (October 1, 2011) | | 10,000 USD | (paid) |
| 3 rd anniversary (October 1, 2012) | | 10,000 USD | (paid) |
| 4 th anniversary (October 1, 2013) | | 10,000 USD | (paid) |
| 5 th to 8 th anniversary (October 1, 2014 to October 1, 2017) | | 10,000 USD | i) & ii) |
| 9 th and subsequent anniversaries (October 1, 2018) | | 50,000 USD | (paid) |

- During the year ended April 30, 2015, the Company issued 80,000 Common shares, plus agreed to pay \$10,000 USD to satisfy the October 1, 2014 payment (paid).
- On August 25, 2015, the Company and Genesis Gold Corporation agreed to amend the terms of the Genesis Agreement to reduce the annual payments due on October 1, 2015 (paid); October 1, 2016 (paid); and October 1, 2017 (paid), from \$50,000 USD to \$10,000 USD, subject to each party's rights under the Genesis Agreement.

The Company entered into the Hot Pot Lease on September 16, 2004, for an initial term of 10 years, as amended on September 2, 2011, February 25, 2016 and February 16, 2017. Any mineral production on the project is subject to a 3% Net Smelter Return Royalty (the "NSR") to the property owner, subject to the Company's right to reduce the Royalty from 2% to 1% for \$2,000,000 USD. Under the February 25, 2016, amendment, the term of the Hot Pot Lease was extended to 20 years, until September 16, 2024. Under the February 16, 2017, amendment, additional lands were added to the Hot Pot Lease, subject to the following payments:

| | | | |
|------------------------------------|----|------------|--------|
| Amendment Date (February 16, 2017) | \$ | 5,000 USD | (paid) |
| September 16, 2017 | \$ | 25,000 USD | (paid) |
| October 8, 2018 | \$ | 30,000 USD | (paid) |
| Subsequent Anniversaries | \$ | 30,000 USD | |

The majority of the Company's mineral interests at Kelly Creek are subject to a 1.25% NSR to Royal Gold, Inc.

NEVADA EXPLORATION INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
October 31, 2018

8. RESOURCE PROPERTIES (cont'd...)

Awakening (AW)

As at October 31, 2018, the Company's Awakening Project consists of unpatented mining claims held directly by the Company.

9. DEPOSITS AND BONDS

| | October 31, 2018 | April 30, 2018 |
|--|---------------------|-------------------|
| Security deposits ⁽¹⁾ | \$ 11,500 | \$ 11,500 |
| Reclamation bond deposits ⁽²⁾ | 52,568 | 119,280 |
| | <u>\$ 64,068</u> | <u>\$ 130,780</u> |

⁽¹⁾ Security deposits consisted of \$11,500 guaranteed investment certificate ("GIC") and bearing interest at prime less 2%. The GIC was used to secure the credit limit on a credit card.

⁽²⁾ Reclamation bond deposits are required by the U.S. Bureau of Land Management ("BLM") and the U.S. Forest Service ("USFS") to ensure that any reclamation and clean-up work required on the Company's properties will be completed to the satisfaction of the BLM and the USFS.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are as follows:

| | October 31, 2018 | April 30, 2018 |
|---------------------------------|---------------------|-------------------|
| Trade payables | \$ 298,617 | \$ 28,860 |
| Due to related parties (Note 6) | 35,804 | 29,850 |
| Accrued liabilities | 3,052 | 20,000 |
| Total | <u>\$ 337,473</u> | <u>\$ 78,710</u> |

11. FINANCE LEASE OBLIGATIONS

The Company has a finance lease obligation for a leased vehicle of \$Nil (US - \$Nil), with blended monthly payments of principal and interest, bearing interest at a rate of 2.90% per annum.

| | October 31, 2018 | April 30, 2018 |
|---|---------------------|-------------------|
| Finance lease obligations | \$ - | \$ 7,090 |
| Deduct: amount representing interest | - | (77) |
| Present value of minimum lease payments due | - | 7,013 |
| Less: current portion | - | (7,013) |
| Non-current portion | <u>\$ -</u> | <u>\$ -</u> |

The total of principal repayments of the finance lease obligations that are due within one year is \$Nil. At October 31, 2018, the lease obligation has been fully discharged and the title has been transferred to the Company.

NEVADA EXPLORATION INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

October 31, 2018

12. CAPITAL STOCK

a) Authorized share capital:

As at October 31, 2018, the authorized share capital of the Company was:

Unlimited number of common shares without par value;

Unlimited number of preferred shares without par value; and

All issued shares are fully paid

b) Issued share capital:

During the period ended October 31, 2018, the Company:

- issued 4,680,000 common shares as a result of warrants exercised for gross proceeds of \$468,000.
- Completed the first tranche of a private placement of 10,372,000 units at a price of \$0.125 per unit for gross proceeds of \$1,296,500. Each unit consists of one common shares and one-half share purchase warrant entitling the holder to purchase one additional common share for a period of 30 months at a price of \$0.30 per share. If the closing price of the common shares of the Company quoted on the TSX Venture Exchange is greater than \$0.50 for 10 consecutive trading days, the Company may accelerate the expiry date of the warrants to the 30th day after the date on which the Company gives notice to the warrant holder of such acceleration. All securities issued are subject to a four month plus one day hold period expiring December 30, 2018.
- In connection with the first tranche, the Company paid finders fees totalling 158,900 units on the same terms as the units described above. The finder's shares granted were estimated to have a fair value of \$19,863. The finder's warrants granted were estimated to have a fair value of \$10,396 and were accounted for as a share issuance cost.
- Completed the second and final tranche of the private placement of 5,628,000 units at a price of \$0.125 per unit for gross proceeds of \$703,500. Each unit consists of one common shares and one-half share purchase warrant entitling the holder to purchase one additional common share for a period of 30 months at a price of \$0.30 per share. If the closing price of the common shares of the Company quoted on the TSX Venture Exchange is greater than \$0.50 for 10 consecutive trading days, the Company may accelerate the expiry date of the warrants to the 30th day after the date on which the Company gives notice to the warrant holder of such acceleration. All securities issued as part of the second tranche are subject to a four month plus one day hold period expiring January 8, 2019.
- In connection with the second tranche, the Company paid finders fees totalling 291,200 units on the same terms as the units described above. The finder's shares granted were estimated to have a fair value of \$36,400. The finder's warrants granted were estimated to have a fair value of \$24,709 and were accounted for as a share issuance cost.

During the period ended October 31, 2017, the Company:

- Issued 1,150,000 common shares as a result of warrants exercised for gross proceeds of \$115,000.
- Completed a private placement financing, issuing 3,773,100 units at a price of \$0.30 per unit, for total proceeds of \$1,131,930. Each unit consists of one common share and one half of one non-transferable common share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.60 until February 17, 2019. In connection with the private placement, the Company issued 213,367 finder's units on the same terms as the units described above. The finder's shares granted were estimated to have a fair value of \$64,010. The finder's warrants granted were estimated to have a fair value of \$4,443 and were accounted for as share issuance cost.

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12. CAPITAL STOCK (Cont'd...)

c) Options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price, minimum price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of ten years.

In the absence of a reliable measurement of the services received from the consultants, the following stock option grants have been measured at the fair value of the stock options issued.

On July 4, 2018, the Company granted 300,000 stock options to a consultant of the Company. The options are exercisable at \$0.15 per share for a period of ten years from the date of grant. The total value recorded for options vesting throughout the period is \$44,900.

On October 1, 2018, the Company granted 2,555,000 stock options to certain directors, officers, employees, and consultants of the Company. The options are exercisable at \$0.26 per share for a period of ten years from the date of grant. The total value recorded for options vesting throughout the period is \$227,406.

On October 26, 2018, the Company granted 150,000 stock options to a corporation of which the Chief Financial Officer is an employee. The options are exercisable at \$0.35 per share for a period of ten years from the date of grant. The total value recorded for options vesting throughout the period is \$18,062.

A continuity of share purchase options for the period October 31, 2018 is as follows:

| Expiry date | Exercise price | April 30, 2018 | Granted | Expired/ Forfeited | October 31, 2018 | Exercisable |
|--|----------------|------------------|------------------|--------------------|------------------|------------------|
| March 2, 2019 | 1.00 | 280,000 | - | - | 280,000 | 280,000 |
| October 19, 2020 | 0.185 | 1,625,000 | - | - | 1,625,000 | 1,625,000 |
| December 31, 2020 | 0.315 | 125,000 | - | - | 125,000 | 125,000 |
| April 20, 2021 | 0.37 | 100,000 | - | (100,000) | - | - |
| August 3, 2026 | 0.47 | 2,120,000 | - | (400,000) | 1,720,000 | 1,720,000 |
| November 27, 2027 | 0.40 | 350,000 | - | - | 350,000 | 116,667 |
| July 4, 2028 | 0.15 | - | 300,000 | - | 300,000 | 300,000 |
| October 1, 2028 | 0.26 | - | 2,555,000 | - | 2,555,000 | 851,667 |
| October 26, 2028 | 0.35 | - | 150,000 | - | 150,000 | 50,000 |
| Total | | 4,600,000 | 3,005,000 | (500,000) | 7,105,000 | 5,068,334 |
| Weighted average exercise price | | \$ 0.39 | \$ 0.25 | \$ 0.45 | \$ 0.33 | \$ 0.35 |

A continuity of share purchase options for the year April 30, 2018 is as follows:

| Expiry date | Exercise price | April 30, 2017 | Granted | Expired/ Forfeited | April 30, 2018 | Exercisable |
|--|----------------|------------------|----------------|--------------------|------------------|------------------|
| September 25, 2017 | \$ 1.10 | 10,000 | - | (10,000) | - | - |
| December 4, 2017 | 1.20 | 50,000 | - | (50,000) | - | - |
| March 2, 2019 | 1.00 | 280,000 | - | - | 280,000 | 280,000 |
| October 19, 2020 | 0.185 | 1,625,000 | - | - | 1,625,000 | 1,625,000 |
| December 31, 2020 | 0.315 | 125,000 | - | - | 125,000 | 125,000 |
| April 20, 2021 | 0.37 | 100,000 | - | - | 100,000 | 100,000 |
| August 3, 2026 | 0.47 | 2,120,000 | - | - | 2,120,000 | 1,413,334 |
| November 27, 2027 | 0.40 | - | 350,000 | - | 350,000 | 116,667 |
| Total | | 4,310,000 | 350,000 | (60,000) | 4,600,000 | 3,660,001 |
| Weighted average exercise price | | \$ 0.40 | \$ 0.40 | \$ 1.18 | \$ 0.39 | \$ 0.37 |

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c) Options (cont'd...)

The following range of inputs and assumptions were used for the Black-Scholes valuation of the options granted.

| | October 31, 2018 | April 30, 2018 |
|--|---------------------|-------------------|
| Share price | \$0.24 | \$0.37 |
| Risk-free interest rate | 2.45% | 1.86% |
| Expected life of options | 9.12 years | 9 years |
| Annualized volatility based on historical volatility | 158.49% | 140.61% |
| Forfeiture rate | 0.00% | 0.00% |
| Dividend rate | 0.00% | 0.00% |
| Fair value per options | \$0.23 | \$0.35 |

d) Warrants

During the period ended October 31, 2018, the Company had a total of 4,680,000 common share purchase warrants exercised and issued a total of 8,225,050 common share purchase warrants in connection to private placements and associated finders fee units

During the year ended April 30, 2018, the Company had a total of 1,150,000 warrants exercised.

A continuity of share purchase warrants for the period ended October 31, 2018 is as follows:

| Expiry date | Exercise price | April 30, 2018 | Granted | Exercised | Expired/ Forfeited | October 31, 2018 | Exercisable |
|--|----------------|-------------------|------------------|--------------------|-----------------------|---------------------|-------------------|
| August 28, 2018 | \$ 0.10 | 5,209,150 | - | (4,220,000) | (989,150) | - | - |
| September 23, 2018 | 0.10 | 700,000 | - | (460,000) | (240,000) | - | - |
| November 27, 2018* | 0.65 | 2,921,250 | - | - | - | 2,921,250 | 2,921,250 |
| February 17, 2019 | 0.60 | 1,993,233 | - | - | - | 1,993,233 | 1,993,233 |
| February 28, 2021 | 0.125 | - | 5,265,450 | - | - | 5,265,450 | 5,265,450 |
| March 7, 2021 | 0.125 | - | 2,959,600 | - | - | 2,959,600 | 2,959,600 |
| Total | | 10,823,633 | 8,225,050 | (4,680,000) | (1,229,150) | 13,139,533 | 13,139,533 |
| Weighted average exercise price | | \$ 0.34 | \$ 0.125 | \$ 0.10 | \$ 0.10 | \$ 0.31 | \$ 0.31 |

* 2,921,250 warrants expired subsequently

A continuity of share purchase warrants for the year ended April 30, 2018 is as follows:

| Expiry date | Exercise price | April 30, 2017 | Granted | Exercised | Expired/ Forfeited | April 30, 2018 | Exercisable |
|--|----------------|----------------------|------------------|--------------------|-----------------------|-------------------|-------------------|
| August 19, 2017 | \$ 0.50 | 285,010 | - | - | (285,010) | - | - |
| August 28, 2018 | 0.10 | 6,359,150 | - | (1,150,000) | - | 5,209,150 | 5,209,150 |
| September 23, 2018 | 0.10 | 700,000 | - | - | - | 700,000 | 700,000 |
| December 29, 2017 | 0.50 | 661,500 ^a | - | - | (661,500) | - | - |
| January 12, 2018 | 0.60 | 2,502,299 | - | - | (2,502,299) | - | - |
| February 10, 2018 | 0.60 | 1,000,000 | - | - | (1,000,000) | - | - |
| November 27, 2018 | 0.65 | - | 2,921,250 | - | - | 2,921,250 | 2,921,250 |
| February 17, 2019 | 0.60 | - | 1,993,233 | - | - | 1,993,233 | 1,993,233 |
| Total | | 11,507,959 | 4,914,483 | (1,150,000) | (4,448,809) | 10,823,633 | 10,823,633 |
| Weighted average exercise price | | \$ 0.29 | \$ 0.63 | \$ 0.10 | \$ 0.44 | \$ 0.34 | \$ 0.34 |

a) Warrants entitles the holder to purchase one common share at an exercise price of \$0.50 for a period of two years, subject to an accelerated expiry provision of 30 days if on any 20 consecutive trading days after issuance, the closing price of the common shares of the Company is greater than \$0.75 per share.

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d) Warrants (cont'd...)

The following range of inputs and assumptions were used for the Black-Scholes valuation of the warrants granted:

| | October 31, 2018 | April 30, 2018 |
|--|---------------------|-------------------|
| Share price | \$0.27 | \$0.33 |
| Risk-free interest rate | 2.14% | 1.36% |
| Expected life of options | 2.5 years | 1.22 years |
| Annualized volatility based on historical volatility | 96.018% | 55.35% |
| Forfeiture rate | 0.00% | 0.00% |
| Dividend rate | 0.00% | \$0.02 |
| Fair value per options | \$0.14 | \$0.33 |

13. SEGMENTED INFORMATION

The Company operates in one industry segment, being the acquisition, exploration, and development of resource properties. Geographic information is as follows:

| | October 31, 2018 | April 30, 2018 |
|---------------------------------|---------------------|-------------------|
| Non-current assets: | | |
| United States | | |
| Equipment and intangible assets | \$ 279,650 | \$ 334,236 |
| Deposits and bonds | 52,568 | 119,280 |
| Canada | | |
| Deposits and bonds | 11,500 | 11,500 |
| | <u>\$ 343,718</u> | <u>\$ 465,016</u> |

| | Six Months Ended October 31, 2018 | Six Months Ended October 31, 2017 |
|------------------------------|--|--|
| Income: | | |
| United States | | |
| Net consulting income (loss) | \$ 8,990 | \$ - |

14. COMMITMENTS

The Company has the following commitments:

- a) Total office lease payments of \$56,834 ending October 31, 2019.

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15. FINANCIAL RISK MANAGEMENT

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Short term investments are measured at level 1 of the fair value hierarchy. The fair value of short term investments is measured at the market price of the common shares held at the measurement date. The carrying value of cash and cash equivalents, other receivables, deposits and bonds, finance lease obligations, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and deposits and bonds. Management believes that the credit risk concentration with respect to cash and cash equivalents, deposits and bonds is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the normal course of business.

As at October 31, 2018, the Company had a cash and cash equivalent balance of \$1,138,068 (April 30, 2018 - \$197,094) to settle current liabilities of \$337,473 (April 30, 2018 - \$85,723). The Company believes that there is minimal liquidity risk as at October 31, 2018 and April 30, 2018.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

(a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash and cash equivalents, deposits and bonds and on the Company's finance lease obligations are not considered significant.

15. FINANCIAL RISK MANAGEMENT (cont'd...)

(b) Foreign currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. A significant portion of the Company's expenses is denominated in US dollars. Consequently, certain assets, liabilities and operating expenses are exposed to currency fluctuations. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Net assets denominated in foreign currency and the Canadian dollar equivalents as at October 31, 2018 are as follows:

| | USD | CDN |
|---------------------|-------------------|-------------------|
| Current assets | \$ 560,942 | \$ 737,190 |
| Non-current assets | 252,791 | 332,218 |
| Current liabilities | (212,243) | (278,930) |
| | <u>\$ 601,490</u> | <u>\$ 790,478</u> |

Based on the above net exposures as at October 31, 2018, and assuming all other variables remain constant, a 10% change in the value of the US dollar against the Canadian dollar would result in an increase/decrease of \$USD60,149 in comprehensive loss.

16. CAPITAL MANAGEMENT

In order to maintain its capital structure, the Company, is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares and incentive stock options. In the management of capital, the Company includes the components of equity as well as cash and cash equivalents.

The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to invest any excess cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without interest penalty. The Company currently has insufficient capital to fund its exploration programs and is reliant on completing equity financings to fund further exploration. The Company is not subject to any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the period ended October 31, 2018.

17. SUBSEQUENT EVENTS

Subsequent to the period end, 2,921,250 common share purchase warrants with an exercise price of \$0.65 expired without exercise.